Union Calendar No. 87

100TH CONGRESS *1st Session*	HOUSE OF REPRESENTATIVES	REPORT 100-141

INTERNATIONAL TOURISM AND SMALL BUSINESS

A REPORT

OF THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

JUNE 10, 1987.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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*Deceased, May 7, 1987.

LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC, June 10, 1987.

Hon. JIM WRIGHT,
The Speaker,
U.S. House of Representatives,
The Capitol, Washington, DC.

DEAR MR. SPEAKER: Transmitted herewith is a report of the Committee on Small Business entitled, "International Tourism and Small Business."

The report is transmitted with the approval of the Full Committee.

With Best Wishes, I am,
Sincerely,

JOHN J. LAFALCE,
Chairman.

Enclosure.

LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES, COMMITTEE ON SMALL BUSINESS, SUBCOMMITTEE ON EXPORTS, TOURISM AND SPECIAL PROBLEMS,

Washington, DC, May 13, 1987.

Hon. JOHN LAFALCE,
Chairman, Committee on Small Business, Rayburn House Office Building, Washington, DC.

DEAR CHAIRMAN LAFALCE: Enclosed is a report by the Subcommittee on Exports, Tourism and Special Problems entitled: "International Tourism and Small Business" which summarizes a series of hearings this Subcommittee held during the 99th Congress.

The report highlights the economic importance of the travel and tourism industry and the contributions of small businesses which make up 98 percent of the industry. Also included are recommendations on ways to enhance international tourism.

I am pleased to transmit this report to you as Chairman of the Committee on Small Business with the approval of a majority of the Subcommittee members.

With respect, I am

Yours truly,

IKE SKELTON,
Chairman.

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INTERNATIONAL TOURISM AND SMALL BUSINESS

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Mr. LAFALCE, from the Committee on Small Business, submitted the following

REPORT

I. INTRODUCTION

During the 99th Congress, the House of Representatives Small Business Subcommittee on Exports and Special Small Business Problems, chaired by Congressman Ike Skelton of Missouri, held a series of hearings regarding tourism and small business.

The purpose of the subcommittee's hearings was to address the economic importance of the travel and tourism industry and the role small businesses play. Highlighted during the course of these hearings was the contributions of international tourism. Specifically, the subcommittee considered international tourism (or the importing of foreign travelers to the United States) as an export—creating jobs, generating tax dollars and reducing our balance of trade.

Also under review by the subcommittee were: (1) ways small businesses could tap into the vast foreign market of tourists and encourage them to travel to our country; (2) the government's role of promoting travel and tourism throughout the U.S. and in foreign countries.

This report summarizes information obtained during the hearings and the subcommittee's research, with emphasis on how the success of small business is economically important to the United States and its place in the world economy. In addition, a compilation of those recommendations received during the hearings which the subcommittee believes have merit is included.

A. BACKGROUND

When we think of tourism, we usually think of travel, vacations and recreation. The subcommittee wanted to go beyond this and investigate the business aspect of the tourism industry. Specifically, we wanted to review the economic contributions of the travel and tourism industry.[1] This is critically important to the country for a number of reasons. First, the make up of the industry is predominately small business. As the head of the United States Travel and Tourism Administration Department of Commerce Under Secretary Donna Tuttle said, "In the United States we estimate that there are over one million public and private enterprises involved in tourism. Approximately 98% of these can be classified as small businesses." Second, the economic importance of the industry is often neglected because tourism is synonymous with leisure time which is taken lightly and because the industry is comprised of small businesses it is fragmented. Third, international tourism is an export which is important to our balance of trade.

During the 99th Congress the Small Business Subcommittee on Export Opportunities and Special Small Business Problems held hearings regarding small business and tourism on July 17, 1985, in Washington, D.C.; October 11, 1985 in St. Louis, Missouri; October 12, 1985 in Lake of the Ozarks, Missouri; October 12, 1985 in Little Rock, Arkansas; March 10, 1986 in Orlando, Florida; and March 11, 1986 in Winter Haven, Florida.

At these hearings the subcommittee members heard from a cross section of representatives from the industry. Our witnesses at each hearing included:

July 17, 1985—Washington, D.C.

Honorable Bill Boner, Chairman, Congressional Travel and Tourism Caucus.

Honorable Donna Tuttle, Under Secretary, United States Travel and Tourism Administration, Department of Commerce.

Mr. Eugene Fodor, Author, Fodor's Travel Guides.

Mr. William Toohey, President, Travel Industry Association of America.

Honorable James Santini, National Tour Association.

Mr. Richard Kinney, Vice President, and Mr. Richard Newman, Managing Director, International Association of Convention and Visitors Bureaus.

Mr. John Clifford and Mr. Raivo Puusemp, American Ski Federation.

October 11, 1985—St. Louis, Missouri

Marjorie Beenders, Director, Missouri Division of Tourism.

Beverly Phillips, President, Missouri Travel Council.

John Walsh, Executive Director, St. Louis Convention and Visitors Commission.

John Auble, Golden Rod Showboat.

Carl Degan, Missouri Restaurant Association.

Mark and John Rodgers, St. Louis Corporate Travel.

Greg Ganschaw, Vice President of Marketing, Color Arts, Inc.

October 11, 1985—Lake of the Ozarks, Missouri

Denny Hilton, President, Country Shindig Opry Corp.; Chairman, Missouri Tourism Commission.

Peter Herschend, Executive Vice President, Silver Dollar City; President, Travel Federation of Missouri and Ozark Marketing Council.

Peter Brown, President, Four Seasons Lakesites Company.

J. George Robinson, Executive Vice President, Missouri Motel and Resort Association.

Peter Staude, General Manager, Ozarks Holiday Inn.

John Cyburt, Owner, KOA Campgrounds.

Roger Eicher, Eicher's Auto Service.

October 12, 1985—Little Rock, Arkansas

Mike Mills, Tourism Director, Arkansas Department of Parks and Tourism.

Jennifer Love, Arkansas Department of Parks and Tourism.

Shelby Woods, President, Woods Brothers Advertising Agency; Treasurer, Arkansas Tourism Development Foundation.

Barry Travis, Executive Director, Little Rock Bureau for Conventions and Visitors.

Billy Lindsey, Lindsey's Rainbow Resort and Trout Dock.

Maurice Lewis, President/Executive Office, Arkansas Hospitality Association.

Steve Chyrchel, Owner, Blue Spring Attraction.

R.M. "Mickey" Twyford, President, First National Bank.

March 7, 1986—Orlando, Florida

Robert Gault, Sea World.

Dean Gaiser, Florida Department of Tourism.

Carolyn Fennell, Greater Orlando Aviation Authority.

Professor Huse, School of Hospitality, Florida International University.

Dr. David Rockland, Sport Fishing Institute.

Terry McDonough, Florida Folder Service.

Don Clark, Florida Hotel and Motel Association.

Newton Kindlund, Holiday of Orlando.

March 8, 1986—Winter Haven, Florida

Honorable Rick Dantzler, State Representative.

Kenneth Smith, Cypress Gardens.

Lou Gorman, General Manager, Boston Red Sox.

Joyce Davis, Winter Haven Chamber of Commerce.

Jackie Johnson, Lakeland Chamber of Commerce.

Paul Senft, Polk County Economic Development Council, Committee on Tourism.

G. Carlton Dorr, Central Travel, Inc.

Glen Davidson, Davidson of Dundee, Inc., Davidson Citrus Shops, Inc.

The subcommittee was interested in a range of issues. From the economic impact of tourism to the government's role, if any, in promoting travel and tourism. At the time of the subcommittee's hearings, the Administration had proposed eliminating the United

States Travel and Tourism Administration (USTTA) within the U.S. Department of Commerce.

At the core of the subcommittee's inquiry were the following basic questions regarding tourism and the role of the government in its promotion:

What is the economic importance of tourism to your business, community and state?

What "advertising" are you currently doing to attract tourists?

Describe any program (private, local, state or federal government) you have participated in to promote tourism throughout the U.S. and in foreign countries.

Are the local, state, and federal governments efforts adequate or should more be done to promote tourism in the U.S. and foreign countries?

What are the benefits of these efforts? Specifically, are these efforts helping small tourism related businesses, and if so, how?

What are other countries doing to attract tourists?

It is with this interest that the subcommittee began its investigation of tourism and small business.

II. Findings

A. Domestic Tourism—Economic Importance

The subcommittee set out to investigate the impact of the travel and tourism industry on local, state and national economies with particular attention to the small businesses contributions. Testimony provided by the Under Secretary of the United States Travel and Tourism Administration revealed that 98% of businesses which make up the industry are small businesses. (The economic impact of international tourism is addressed in the following section.)

At each of the six hearings held by the subcommittee, witnesses were asked to explain the importance of tourism to their business, community and state. Witnesses testified that the industry is made up of many small components which, taken collectively, have a significant impact on our nation's economy.

Most of the witnesses stressed, however, that the tourism industry's impact has never been fully recognized as a key contributor to our economy. Analyses of the testimony offered two major reasons for this shortcoming. For one thing, the industry is fragmented and each fragment is made up of thousands of small businesses whose owners are too occupied with running their business to organize and call attention to themselves. Therefore, their contributions have not been viewed collectively; the sum of the parts is not recognized. Second, because tourism is synonymous with leisure time and fun instead of "serious business," it is often taken lightly and consideration of the economic importance of the industry is almost always neglected. Such as, on the surface Disney World creates the fantasy illusion of a fun and carefree atmosphere; yet a closer look reveals that this tourist attraction is a vast, thriving, multi-million-dollar business network. Further, this proficient network and its

visitors are supported by hundreds of businesses, many of which are small. *This illustrates tourism is serious business.*

An excerpt from the testimony provided by Professor Huse, School of Hospitality, Florida International University, describes the businesses which make up the industry:

> We, as a nation, do not grasp the significance of tourism as a national economic base. What we see as tourism on a daily basis are the twenty or so major hotel chains, the ten large trunk airlines, the two national bus lines, the national railroad and the top twenty or so nationally recognized tourist attractions. The role of our industry leaders should not be minimized. Together, they employ hundreds of thousands of people. However, they are, by no means, the major part of our tourism economic base. The backbone of tourism is made up of the 27,000 travel agencies in our country, the independent taxicab owners, the 400-plus bus lines, the small commuter air carriers, the ground tour operators, the 100,000 plus restaurants, the hundreds of independent hotel and motel owners, the thousands of independent gas station and auto repair facilities located along every major highway in our country, the hundreds and hundreds of attractions that never get counted or even mentioned in passing, the manufacturing industries which make the almost endless number of products purchased and used in pursuit of vacation fulfillment and happiness. What this incomplete list means is "small business" in "giant red letters." These small businesses, when combined, represent the most complex tourism plant and distribution system existing in the world today. It is an asset of enormous significance . . . .[2]

To illustrate the economic significance of the industry to our nation, figures obtained for 1985 reveal:[3]

U.S. and foreign travelers spent $259 billion

Generating 5.9 million jobs

Generating $33.2 billion in tax revenues:

	Billion
Federal	$18.3
State	11.2
Local	3.7
Total	33.2

From traveler expenditures, we know that 5.4% of the $259 billion or $14.1 billion was derived from foreign visitors. Based on this, we estimate that foreign visitors expenditures generated 319,000 jobs and total tax revenues of $1.8 billion.

From these numbers we can envision how tourism dollars directly bolster our restaurants, hotels, motels, recreational facilities, marinas, souvenir shops, travel agents and gasoline stations. Also, we are able to see that these dollars create millions of jobs and generate billions in tax revenues. These are the "direct results" and the most apparent benefits. However, this is just the tip of the iceberg. Our hearings found that travel spending has many indirect benefits too.

Tourists' expenditures, like other expenditures, have a "multiplier effect." Tourism related businesses require capital investment, e.g. restaurant equipment, automobiles, airplanes and hotels, supporting jobs indirectly. Second, employees of the tourism industry buy consumer goods and services, also producing jobs indirectly. From indirect economic activity which was stimulated by tourists' expenditures comes additional tax revenue for the local, state and federal levels.

For example, the hotel that is built in a resort town, requires capital investment, creates jobs and generates tax revenue. The dollars spent by the tourists at the hotel and shops are respent by the hotel and its employees at local shops and suppliers who in turn spend their incomes at local grocery stores and gas stations. This respending or ripple effect continues to spread throughout the community. The net effect is a higher quality of life for all Americans—more jobs, lower taxes and economic expansion.

This section will describer some of the direct and indirect economic benefits received by businesses, local communities and states as a result of travel and tourism spending.

From the employment perspective, the subcommittee found that tourism is among the top three largest employers in 39 states.[4] According to the United States Travel Data Center:

> Travel and tourism in America directly generated more than 4.7 million jobs in 1984, nearly 5.1 percent of total nonagricultural payroll employment in the United States. This ranks travel and tourism as a leading private employer, second only to health services. It is surprising but true that employment generated by travel in the U.S. exceeds the populations of 67 countries.[5]

During the last ten years, U.S. employment has increased 21% while travel industry employment grew 59%.[6]

The industry is primarily service oriented and, therefore, labor intensive. This explains why a disproportionately high number of jobs are created for each dollar spent when compared to other industries. Estimates are that for each $41,900 in tourism receipts one job is supported.[7] In contrast, estimates are that for each $98,750 in livestock and livestock products receipts one job is supported.[8]

Another employment feature is the types of employment created. Mr. William Toohey, President of Travel Industry Association representing nearly 2,000 travel industry companies and organizations testified that:

> . . . tourism is a powerful generator of employment opportunities, particularly for low-skill, entry-level workers, providing 179,000 new jobs in the United States during the recessionary year 1981. In addition, the travel and tourism industry has proven itself to be a dependable source of abundant job opportunities for minority groups that have traditionally found it more difficult than others to find jobs. The industry employs more than 685,000 blacks, more than 475,000 Hispanic-Americans (21 percent more than the national average), nearly 4 million women (21 percent

more than the national average) and about 2.8 million youths 16 to 24 years of age.[9]

On a local level Mr. Walsh, executive director of the St. Louis Convention and Visitors Commission extrapolated facts from an economic impact study which revealed that "visitor expenditures in St. Louis, both city and county, amount to more than $1.3 billion annually, and that this visitor industry provides more than 33,000 jobs, many of them entry-level jobs, equally available to all our citizens."[10]

According to testimony presented by Richard Kinney, Vice President of the International Association of Convention and Visitors Bureaus:

> The International Association of Convention & Visitor Bureaus survey of more than 33,000 convention delegates to determine the economic impact they have on a community. We found that, of the $141 per day that each delegate spends, 38% goes for hotel rooms, 30% to restaurants and night clubs and 18% to retail stores, sightseeing, and local transportation. Most every company within those categories of business and most all of the companies that supply the goods with which they operate are small businesses. Over the past ten years, employment in the convention and tourism industry grew 55%, three times the growth rate for all jobs in our economy.[11]

As for tax dollars generated, travel spending contributed a total of $25.2 billion on 3.6 percent of the federal, state and local governments' tax revenue for 1984. We know that for each dollar of travel spending 11 cents in tax revenue was generated in 1984.[12] For many states travel spending is a major contributor to tax revenue. In Florida, for example, where tourism is the state's largest industry, the state collected a total of $1.396 billion in tax revenues as a result of travel spending in 1982. According to the testimony of Florida's Department of Tourism Director Dean Gaiser, the state's tourism/recreation category of sales tax collections accounts for about 20% of all sales tax collections. For 1984, this tax amounted to $850,161,342.[13]

During the course of subcommittee hearings, we were also interested in learning about the indirect effects of tourism dollars spent and the jobs and tax revenues which were generated.

While witnesses cited many indirect benefits of tourism, they consistently credited the industry with improving the quality of life and providing "more state income for spending on schools, hospitals and other public facilities without increasing the tax burden of the residents."[14]

Mr. Mickey Twyford, Chairman of the Board, First National Bank, Batesville, Arkansas, (where tourism is the state's second largest employer) stated,

> . . . If travel suddenly ceased, the number of jobs in the state would fall by over 6 to 10 percent, and each resident would have had over $125.00 less income to spend, on the average. For the state to maintain the same level of public services the average tax would have raised $80.00 per

family. The local government would have to raise taxes $20.00 per family to maintain services.[15]

Peter Herschend, Executive Vice-President, Silver Dollar City, (a sizable tourist attraction in Missouri) provided the subcommittee with research which showed that a school district located within a tourism area in Missouri has 1,546 students with an assessed valuation for educational purposes of $40,152,160. An adjacent school district has 1,801 students and an assessed valuation of $16,004,701. "The difference is solely the impact of tourism . . . I can make the same point . . . (for) all of the systems throughout the Nation, where tourism is a major factor. . . ."[16]

An advertising agent, a print shop representative, a folder service distributor and a citrus candy shop owner expressed the importance of tourism on their business. For example, a representative of a small print shop testified that over 20% of the printing companies business depended on travel-related services, such as car rental, airlines, travel agents and restaurants. Further, the company's branch operation, located in a tourism attraction area, derives 90% of their printing business from hotels and small attractions. Without the tourists this branch officer and the jobs it provides would not exist. This is also true for the advertising agency, folder distribution service and the citrus candy shop as well as thousands of other businesses which surround and support tourism attractions. As summarized by Greg Ganschaw of Color Arts Printing Company, "Take away or diminish the growth of the travel business, and you will greatly diminish many other sector business areas."[17]

Tourism also provides economic development in addition to employment opportunities and additional tax revenues. That means capital investment in hotels, restaurants, attractions, and other facilities built on tourism. Mickey Twyford, Chairman of the Board, First National Bank, Batesville, Arkansas, stated that "the impact of the $81 million travel (money spent in the area) is far greater after the factors are applied and the money is deposited in local banks and is loaned to businesses and individuals, redeposited, reloaned, and in fact, the tourist dollar will turn over seven times in our community."[18]

Another businessman stated he moved to the Lake of the Ozarks, Missouri, to set up an auto service business after having vacationed in the area a few years earlier. He attributes his ability to obtain financing through the local bank and the Small Business Administration by basing his projections on revenue gained from local tourism. In fact, the owner derives 70% of his business from weekend home owners, vacationers and travelers passing through. This business provides new capital investment within the community and the owner purchases parts, transportation and other services to support his business from other businesses in the area. It amounts to an "economic multiplier effect" that benefits the community.

Testimony provided by the Honorable James Santini, National Tour Association, cited a 1984 State of California study on the state's analysis of travel and tourism. The state concluded that the total amount of travel spending was $27 billion annually. "Conservative estimates by the Office of Tourism indicate that the roll over

or multiplier effect of tourism increases the real value of the travel and tourism related spending to between $51 and $81 billion annually."[19]

This "economic multiplier effect" might best be explained by traveling through the history of one of the oldest tourist attractions in our country, Cypress Gardens. As told to the subcommittee by Florida State Representative Rick Dantzler, "In 1935, where we are (Cypress Gardens) was a cypress swamp. A year later, in 1936, Dick Pope came armed with nothing but a dream, and he has now transformed that cypress swamp into a 223-acre national treasure that provides entertainment . . . for nearly a million visitors every single year."[20] According to Kenneth Smith, President of Cypress Gardens, the Gardens employs an average of 700 people on a year-round basis with an annual payroll in excess of $7.5 million. Their sales for 1986 are expected to reach $20 million and sales tax collections on that will be approximately $1 million. "A major expenditure program has been undertaken, and by the end of 1986, we will have invested $5 million in improvements to the Gardens. Much of this money will be spent with local contractors and suppliers."[21]

From state tourism directors the subcommittee learned that many states are realizing the value of visitor spending and that the dollars spent by a community or state to promote an increase in tourism, are apparently, more than paid back by increased employment, tax revenue and many other indirect benefits. Thus some states are increasing their tourism budget to compete for visitors and conventions.

In summary, the subcommittee learned that the direct and indirect economic contributions of the travel and tourism industry are significant throughout our nation. The net effect of these contributions is a higher quality of life for all Americans—more jobs, lower taxes and economic expansion. Also, contributions can be attributed to the small businesses which make-up 98% of the industry. However, because the industry is fragmented and because the direct and indirect effects are difficult to measure, recognition of the travel and tourism industry's contributions is slow in coming.

B. INTERNATIONAL TOURISM—ECONOMIC IMPORTANCE

The United States, in recent years, has moved to historically high trade deficits. Recent trade deficit figures illustrate the dramatic increase:

Amount of deficit

Year	*Billion*
1983	$69.3
1984	123.3
1985	148.5
1986	169.8

Source: U.S. Department of Commerce, International Trade Administration.

During this same period of rising trade deficits our exports have fluctuated:

Amount of exports

Year	*Billion*
1983	$200.5
1984	217.9
1985	213.1
1986	217.3

Source: U.S. Department of Commerce, International Trade Administration.

For the past two years, Congress has concentrated its efforts to find ways to improve the trade deficit. An obvious way to combat our trade deficit is to increase exports. According to a General Accounting Office study entitled "Efforts to Promote Exports by Small, Non-Exporting Manufacturers" there are 18,000 non-exporting businesses with the potential to export immediately. This subcommittee held hearings emphasizing ways to encourage small businesses to enter export markets. In looking at other options to lower the trade deficit, amidst quotas and tariffs, the subcommittee held tourism hearings which addressed ways to encourage exporting a bit differently—namely by importing foreign travelers.

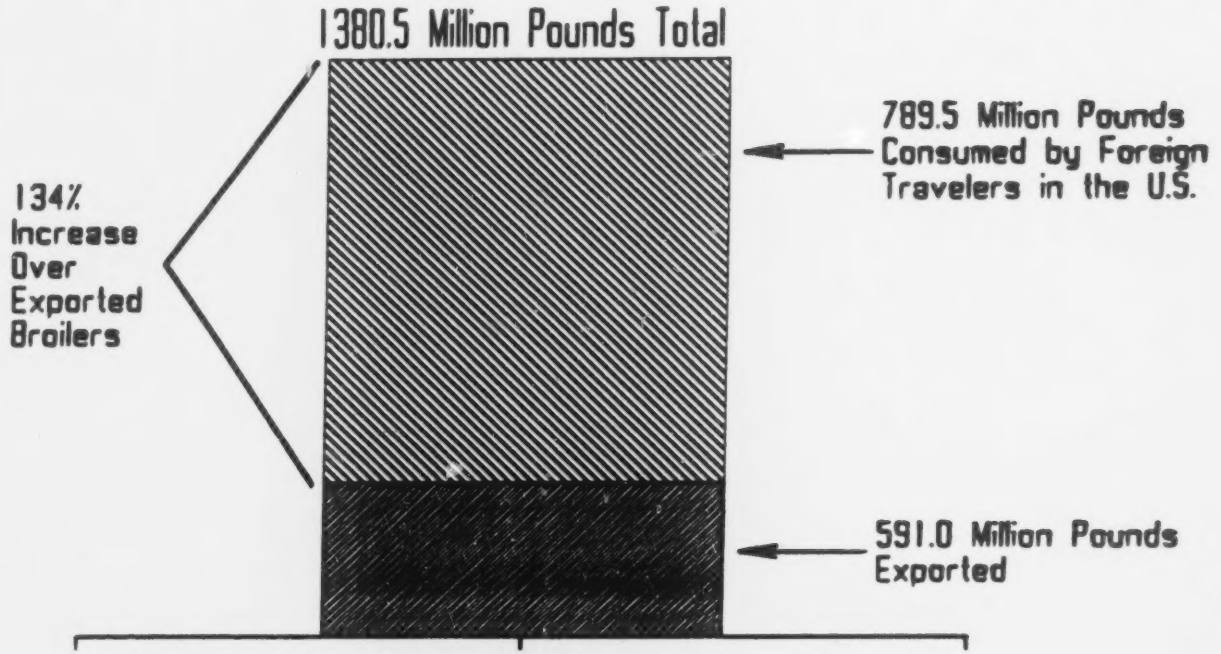
Probably the most important part of any export is to bring foreign currencies into our country. We can do this by either sending products out of the country and receiving their money in return or by attracting foreign visitors to our shores and having them come with their money. Attracting international visitors is a unique export product—simply put it's an export that is consumed here by foreigners. As Travel Guide author Eugene Fodor stated at the subcommittee's hearing, "incoming tourism is a major invisible export item."[22]

The subcommittee in no way wants to distract from various government and private efforts which encourage our businesses to export. This subcommittee believes those efforts must persevere and increase if we are to lower our trade deficit. However, we must also recognize that all exports do not leave this country in ships or airplanes. While here, international visitors consume "export" products within our borders.

You can use almost any consumer product to illustrate that international tourism is an export which is consumed here by foreigners. Take for example the following items which we export and which foreign visitors consume while here:

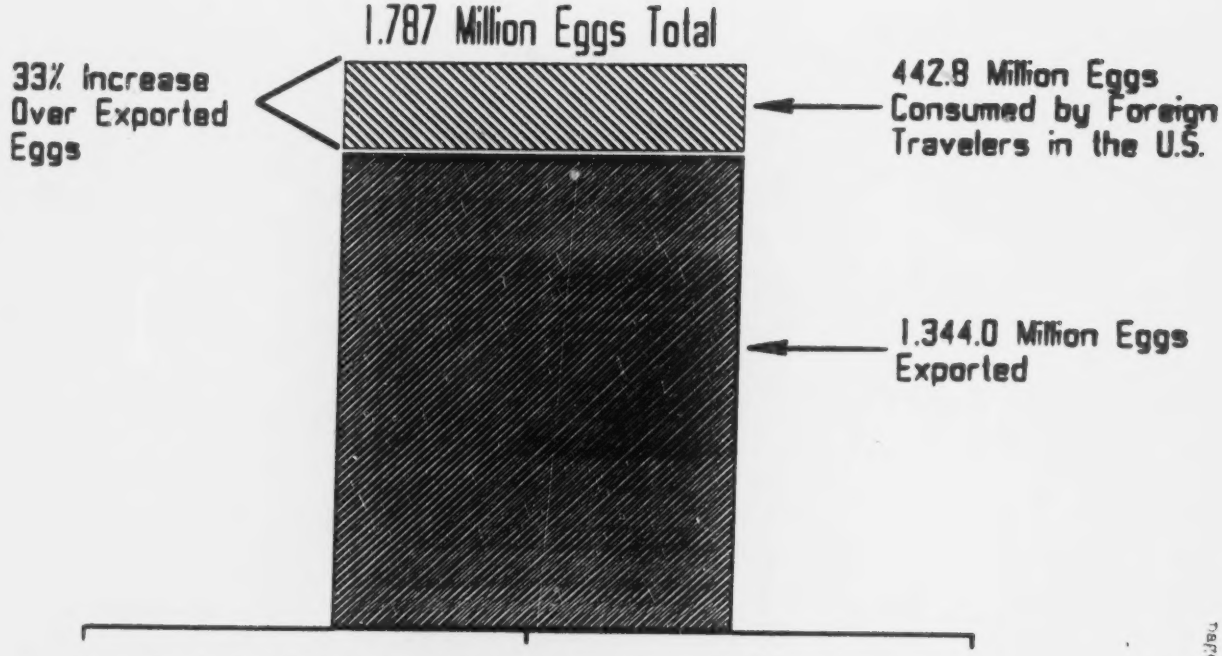
Broiler (Chicken) Exports

(1983 in Millions of Pounds)


1380.5 Million Pounds Total
789.5 Million Pounds Consumed by Foreign Travelers in the U.S.
134% Increase Over Exported Broilers
591.0 Million Pounds Exported

Source: U.S. Department of Agriculture, Agricultural Statistics 1983, Wash. D.C.: Govt. Printing Office, 1983.
Travel and Tourism Govt. Affairs Council, Tourism Facts: A Resource Kit, Jan. 1986.

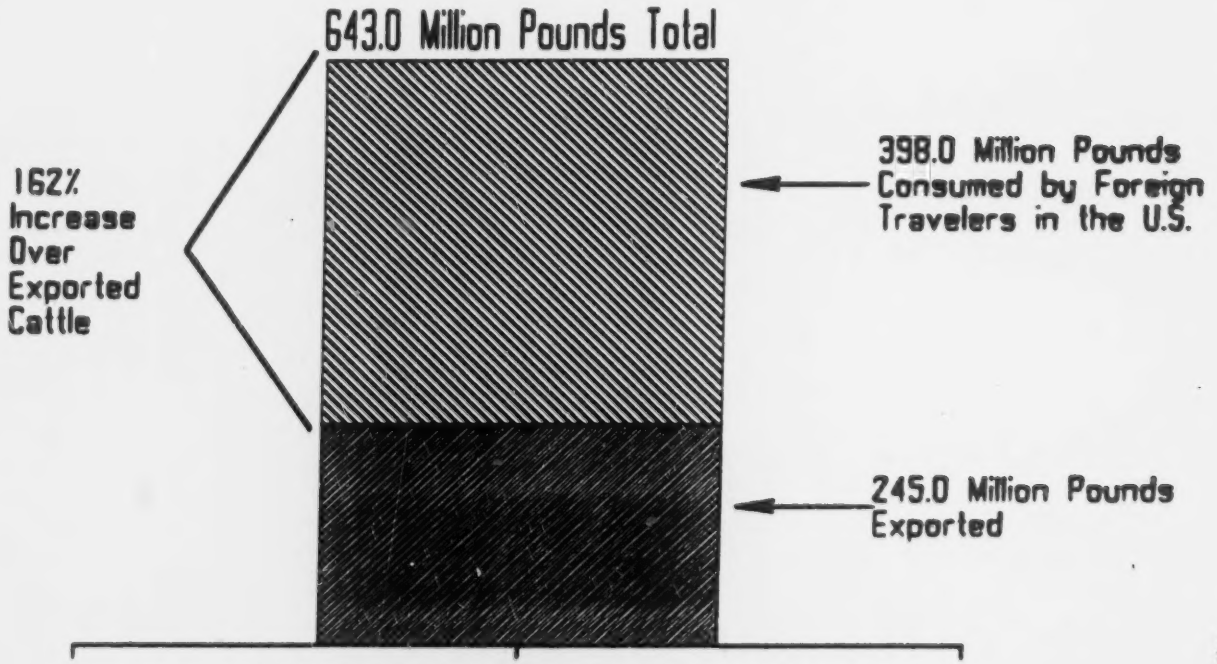
Egg Exports
(1983)


1.787 Million Eggs Total
33% Increase Over Exported Eggs
442.8 Million Eggs Consumed by Foreign Travelers in the U.S.
1.344.0 Million Eggs Exported

Source: U.S. Dept. of Agriculture, Agricultural Statistics 1983. Wash. D.C.: Govt. Printing Office. 1983.
Travel and Tourism Govt. Affairs Council, Tourism Facts & Resources Kit. Jun. 1988.

Cattle Exports

(1983 in Millions of Pounds)


643.0 Million Pounds Total
162% Increase Over Exported Cattle
398.0 Million Pounds Consumed by Foreign Travelers in the U.S.
245.0 Million Pounds Exported

Source: U.S. Department of Agriculture, Agricultural Statistics 1983. Wash. D.C.: Govt. Printing Office, 1983.
Travel and Tourism Govt. Affairs Council, Tourism Focus: A Resource Kit, Jan. 1986.

The subcommittee learned that international visitors are significant contributors to our economy and balance of trade. This section summarizes the findings of foreign visitors' contributions.

According to testimony presented by Under Secretary of Commerce for Travel and Tourism, Donna Tuttle, 20.7 million international visitors traveled to the U.S. in 1983. "Out of the $14 billion* that they spend, what is noteworthy is that $1.7 billion did go into Federal, State and local tax coffers."[23]

Congressman Bill Boner, Chairman of the Travel and Tourism Caucus, shared with the subcommittee the results from a United States Travel and Tourism Administration (USTTA) study indicating the economic importance of foreign visitors. The USTTA conducted an in-flight survey of international air travelers departing the United States. The results of the survey for the first six months of 1984 indicate that foreign visitors spent an average of 21 nights in the United States spending $1,145.00 or $55.00 per visitor per day.

For example, as described by the U.S. Travel and Tourism Government Affairs Council (a non-governmental council representing tourism businesses), a West German couple travels to the U.S. for a vacation. While here they spend money on hotels, restaurants, vendors, gifts, entertainment and transportation. The total amount of their expenditures is $2,200.00. This amount is equal to exporting five refrigerators or 293 pairs of jeans.[24] What is extraordinary about this $2,200.00 is that the money is "new" revenue. A "new" stimulus from outside the system. Also, this injection of revenue provided by foreign visitors is distributed among a variety of businesses, many of which are small. This revenue will in turn be paid to their suppliers and workers. Thus, the ripple of the multiplier effect has begun and results in a significant impact on our economy while reducing our trade deficit.

A great deal of evidence was presented confirming that the travel and tourism industry is a major feature in our international standings. There are a variety of statistical calculations regarding the dollars spent by foreign travelers, tax revenues generated and jobs created, but a summary of the facts are:

Tourism is the second largest export industry in terms of export receipts, exceeded only by chemicals. (See figure 1)

Figure 1.—Top Ten Exports—1983

Rank and export category	*Billions*
1. Chemicals and allied products (petrochemicals, industrial organic chemicals, gum and wood chemicals, etc.)	$19.43
2. Tourism (passenger fares, loding, food, etc.)	14.36
3. Other transportation services (shipment of goods, etc.)	13.48
4. Interest, dividends and earnings of unincorporated affiliates related to U.S. assets abroad	12.71
5. Transfers under U.S. military agency sales contracts	12.66
6. Aerospace—civilian (civil aircraft engines and parts, non-military turbines and parts, etc.)	12.03
7. Advertising billings	11.00
8. Computing and office equipment	10.79
9. Reinvested earnings of incorporated affiliates related to U.S. assets abroad	9.46

*Including air fares, $11.4 billion not including transportation

Rank and export category	*Billions*
10. Other private services	7.28

Source: U.S. Department of Commerce, Bureau of Industrial Economics "1984 U.S. Industrial Outlook", Bureau of the Census "U.S. Exports", Bureau of Economic Analysis "Survey of Current Business." Compiled by the Travel and Tourism Government Affairs Council.

Tourism is the largest earner of export receipts among tradeable services. (See figure 2)

In 1983, 21.7 million international visitors spent $13.8 billion (including international transportation payments to U.S. carriers). In the U.S. these visitors' expenditures: [25]

Employed 312,800 Americans (directly and indirectly generated approximately 600,000 jobs)

Generated $1.6 billion in tax revenues:

	Millions
Federal	$837.3
State	599.3
Local	202.8
Total	1,600.0

Foreign visitors spent $26,446.00 every minute in the U.S. in 1984.[26]

Ten cents of every dollar spent on travel and tourism goes for taxes.[27]

It is estimated that one new job is created for each 37 foreign visitors or one new job is created with each $41,900 in receipts.[28] For all export industries, one direct job is maintained for each $84,450 in receipts.[29]

Figure 2.—Top Ten Tradeable Services Exports—1983

Rank and export category	*Billions*
1. Tourism (passenger fares, lodging, food etc.)	$14.36
2. Other transportation services (shipment of goods etc.)	13.48
3. Interest, dividends and earnings of unincorporated affiliates related to U.S. assets abroad	12.71
4. Transfers under U.S. military agency sales contracts	12.66
5. Advertising billings	11.00
6. Reinvested earnings of incorporated affiliates related to U.S. assets abroad	9.46
7. Other private services	7.28
8. Fees and royalties from affiliated foreigners	5.98
9. U.S. Government receipts	4.92
10. International telephone and telephone services	2.5

Source: U.S. Department of Commerce, Bureau of Economic Analysis, "Survey of Current Business" and Bureau of Industrial Economics, "1984 U.S. Industrial Outlook". Compiled by the Travel and Tourism Government Affairs Council.

To illustrate the importance of international tourism, we compared the jobs created by international tourism to traditional export products:

DIRECT JOBS MAINTAINED BY EXPORTS IN 1984

Category	Dollars to maintain one job	Jobs maintained by exports
Livestock/livestock products	$98,750	4,000
Chemicals and synthetics	192,783	20,000
Aircraft and parts	121,818	121,000
Apparel	46,789	19,000
Motor vehicles and equipment	222,826	75,000
Travel and tourism	41,900	330,900

Source: U.S. International Trade Commission, U.S. Trade-Related Employment: 1978–1984. Department of Commerce, United States Travel and Tourism Administration, U.S. Travel Data Center, 1984–1985 Economic Review of Travel in America.

These statistics of the jobs and tax revenue generated provide some measure of tourism to our nation. However, there is another aspect of international tourism which is unmeasurable or to which a dollar amount cannot be attributed—That is international tourism's impact on the United States' standing in world opinion. As expressed by travel author Eugene Fodor before the subcommittee:

> Everyone who goes abroad learns something, picks up new insights and copes with new situations. This is what the cliche "travel broadens the mind" means. The most important lesson is an acquired tolerance for foreign traditions and customs, and a willingness to admit that others have as much legitimate right to their ways as we have to ours. Travel encounters lead to discoveries, discoveries beget understanding, understanding often breeds liking and friendship, and that in turn prevents hostility. If you multiply these individual and personal experiences by an annual 300 million, and add to it the ripple effect on the visitors' hosts and on his or her home environment, the mass psychological, social and political consequences of this gigantic human migration become obvious.[30]

In summary, the subcommittee found that importing international visitors is an export. It is clear that when we import international travelers, thousands of small businesses which make up 98% of the travel and tourism industry benefit, jobs are created for American workers, tax dollars are generated and our trade deficit is lowered; all of which benefit our nation's economy. Also, as a result of the multiplier effect, our economy is further stimulated, generating additional jobs and tax revenue. Finally, as a result of hosting foreign travelers, there are social benefits; friends are made and goodwill is spread.

III. The Federal Government's Role in Promoting International Travel and Tourism

At the hearings, witnesses provided the subcommittee with testimony describing the various aspects of the Federal Government's efforts in promoting the United States as a travel destination in foreign countries. The witnesses stressed the importance of such a role and how these efforts assist small businesses.

For comparison purposes, the subcommittee also wanted to gather information pertaining to foreign government's involvement in promoting their country as a place to visit.

From local and state government representatives and industry representatives' perspective, it is of vital economic and social importance for the federal government to have a leading role in the promotion of travel to the United States. Consistently, the number one item mentioned to the subcommittee members was the critical need for coordinating government and private sector promotional activities.

During our examination of the United States Travel and Tourism Administration (USTTA), witnesses were supportive of USTTA's efforts and the practical application of their services.

Highlights of remarks about the Department of Commerce tourism office are:

"I think the most important service that can be furnished by state and federal travel related agencies is a continuation of what they are at the present—that is, to provide liaison between organization such as ours and organizations in foreign countries that we are attempting to reach, as well as being a catalyst for cooperative efforts between private industry and governmental agencies. Anoither important service provided by these agencies, and, in particular, the USTTA, is the research data that is provided by them. That information is valuable in targeting countries that offer the most opportunity for soliciting visitation from their citizens."[31] Kenneth Smith, President, Cypress Gardens, Winter Haven, Florida.

"I often have a difficult time understanding the importance of an umbrella group. What do they do? Do they coortdinate, do they lead, do they follow, do they orchestrate? What are they supposed to do? How do you know if you are funding them the right amount of money, or if you just can pour in more money and it is just not going to do anything. I think you need to look, at the USTTA and its level of operations for the travel and tourism industry as analogous, possibly, to a shopping mall—something that we can identify with.

"Now, in that shopping mall, you have a lot of individual businesses. Those individual businesses are responsible for their own marketing—their own product, their own quality control, their own sales. But, it is the responsibility of that mall to attract the traffic—to bring in the bodies that will then go in and select those individual stores and businesses. So, it is this process and the purpose of that mall to know its customer base, know its trading area. Research that trading area, so they can promote—so that it can communicate, advertise, and bring significant traffic into their area that each one of the stores, or let's say, in this case, each one of the States, can each have an honest shot at.

"So the mall concept of the national mall [USTTA]—bringing those people over. Packaging—knowing and communicating and advertising, so that the States and the cities and individual destinations can, in fact, have an opportunity to meet the needs of those purchases, be they retail in a mall, or be they travel services in the travel industry. . . . I think the application of research and the targeting of that market and advertising, that is the key. I think that is where USTTA can really be a tremendous service, and that is where they serve an excellent function."[32] Gregg P. Ganschaw, Vice-President of Marketing, Color-Art, Inc., St. Louis, Missouri.

"In each of the countries that the Ski USA group has entered, the USTTA has played an integral role. They have, in fact, been the vehicle that connects Ski USA to the press and trade in each market. USTTA provides us with the information and contacts that would take weeks or months to generate if not available via USTTA.

"They also provide a service that is often misunderstood in the United States. * * * In some countries they have worked out with foreign governments to help us get our materials in and out of the countries without undue problems. In most of the foreign countries,

the travel and tour trade is licensed directly by the government and the government regulates who can sell trips going outside of the country. If we wish to do business within these countries we need to know who we should be dealing with and the first place to look is a USTTA office.

"In every country that I have visited, the USTTA office has provided me with a complete and up-to-date listing of all of the companies that I should be talking to and who to contact. This list has proven, in every case, to be one of my most valuable marketing tools. When I visit companies that are on the list they are usually familiar with the people at the USTTA office, and this gives me some credibility and a starting relationship without having to prove to the tour companies that I am, in fact, who I claim to be since the tour operators can simply call the USTTA office to find out if my resort does, in fact, exist."[33] Mr. John W. Clifford, Director Vacation Marketing and Sales Manager, Killington Ski Area, Killington, Vermont.

"Thanks to the USTTA regional office in Germany, Nashville will have an opportunity next February to show some Europeans our special brand of music and hopefully convince some of them to visit us at some future time. Our Chamber of Commerce, the state travel administration and our theme-park named Opryland will jointly sponsor a musical show that will perform in several cities in Germany as part of a "Visit USA" promotion that is co-sponsored by USTTA. Without USTTA's presence there, we would never have had an opportunity to show off our city and state and—in so doing—our entire nation."[34] Richard Kinney, Vice President, International Association of Convention and Visitor Bureaus; Vice President Convention and Visitors Division of the Nashville Area Chamber of Commerce, Nashville, Tennessee.

"The USTTA is an office * * * to create a positive image for the United States."[35] Marjorie Beenders, Director, Missouri Division of Tourism.

"We need USTTA. When we are dealing with tourism interests in other countries we are dealing with governments in many cases. In the "Spirit of America" campaign it is the participation of USTTA which gives it its credibility, its stature when we reach out to British travel agents. It's USTTA's involvement which strengthens the message that this country is inviting tourists to its shores. * * * USTTA must make that first contact, operate the overseas office, coordinate the advertising, develop the themes. After all, who is our competition? Other countries, no individual business, and certainly not a small business is equipped to compete alone in the international travel marketplace."[36] Don Clark President, Florida Hotel & Motel Association.

A summary of the USTTA's activities supported by witnesses is:

its role as a catalyst in coordinating local and state governments' efforts, simultaneously with business' efforts;

providing assistance to governments and businesses in developing, promoting and selling their products or services to foreign travel buyers;

conducting marketing research on market conditions and sales opportunities to expand tourism exports and make this data available;

assisting public and private sectors in the collection, analysis and dissemination of tourism data;

coordinating and nurturing government and private sector efforts in cooperative advertising based on market research;

providing an introduction and enhancing the credibility of American businesses and local and state governments to foreign markets and contacts;

working to reduce trade barriers to the U.S. tourism industry operating throughout the world;

educating businesses, small and large, to realize the income revenue potential that international visitors can be if the business owners make their "products" more appealing to foreign travelers; and

conducting familiarization trips for foreign writers, tour operators and travel agents to various U.S. destinations.

A. HISTORY

In 1960, there was an Office of International Travel within the Department of Commerce with an operating budget of $50,000. This office was established because of concern over our travel deficit which, in 1960 accounted for 30% of the total U.S. balance of payments deficit.

In 1961, the foreign tourism agency called United States Travel Service (USTS) was created by law. (PL 87-62, 75 Stat 129.) The USTS was directed to encourage travel to the United States by residents of foreign countries. The directive was interpreted into the distribution of American travel literature overseas and the making of mailing lists of travel agents in foreign countries available to the American travel industry. However, this was considered by many to be too passive and the USTS soon gained the reputation of being ineffective.

As the result of two studies conducted to survey the needs and resources of tourism during the 1970's, Congress recognized a need for a more coordinated and effective tourism policy. On October 16, 1981, the National Tourism Policy Act was signed into law. This law established a policy to—"optimize the contribution of the tourism and recreation industries to economic prosperity, full employment, and the international balance of payments of the United States." (PL 97-63) This Act redefined the nation's interest in tourism and replaced the United States Travel Service (USTS) with the United States Travel and Tourism Administration (USTTA).

The Under Secretary for Travel and Tourism within the U.S. Department of Commerce was created by this law in an effort to give tourism more visibility. The principal mission of the USTTA is to develop travel to the United States from abroad as a stimulus to economic stability and to the growth of the U.S. travel industry, to reduce the Nation's travel deficit, and to promote friendly, understanding and appreciation of the United States.

As described by Under Secretary for Travel and Tourism, U.S. Department of Commerce Donna Tuttle:

> Our (USTTA's) mission is to encourage businesses, States, and cities, destinations, to get out and to promote the American product in the overseas markets. Our role is a

catalyst role. We serve as an umbrella organization for the industry, and States and cities.

We conduct various activities connecting the American businesses and the destinations with the foreign tour operators and travel agents. We conduct familiarization trips, and right now, we presently have in all of our markets a cooperative advertising program where we put in seed money to encourage small businesses and destinations to be able to come into the marketplace and advertise. * * * We operate all of our activities in nine offices,* in the overseas markets where the foreign visitor comes from.[37]

This is a tall order for the USTTA with a budget of $11.5 million for 1987. However, repeated, emphatic testimony at our hearings indicated that the USTTA is invaluable not only to states, but also to convention and visitor bureaus and regional tourism organizations representing small businesses. The USTTA has earned the reputation of successfully bringing together the public and private sectors and opening doors to advertising the United States in foreign countries.

B. FOREIGN COMPETITION

Estimates are that the federal government earns back its investment in USTTA within six days from federal taxes generated by foreign travelers. Statistics provided by the Department of Commerce reveal every dollar spent on promotion escalates into $18.00 in receipts.

Since 1981, the Administration has proposed eliminating the USTTA. (Prior to this in 1980, the elimination of USTS was proposed.) The explanation offered for its elimination has been that: "The U.S. tourism industry can meet these challenges from foreign competition more effectively than a governmental agency."[38]

Proposals to eliminate the USTTA are occurring during a time when we are facing an unprecedented and increasing budget deficit. However, concurrently we are facing an ever-growing trade deficit as well as increased competition with other countries for international travelers.

Initial research regarding other countries' efforts to encourage travel and tourism to their country uncovered only scattered and superficial information. However, from information obtained about foreign governments' involvement in tourism promotion, the subcommittee learned that 175 national governments of the world finance tourism promotion. These countries are competing for market shares of international tourism receipts. In 1984, international tourism receipts totaled $145 billion,** and has projected growth of 5% a year.

Currently, the United States is number one in terms of these international receipts. However, our share of world tourism receipts has declined since 1976. This raises concern because, for example, if the U.S. had maintained its 13.1 percent share of world

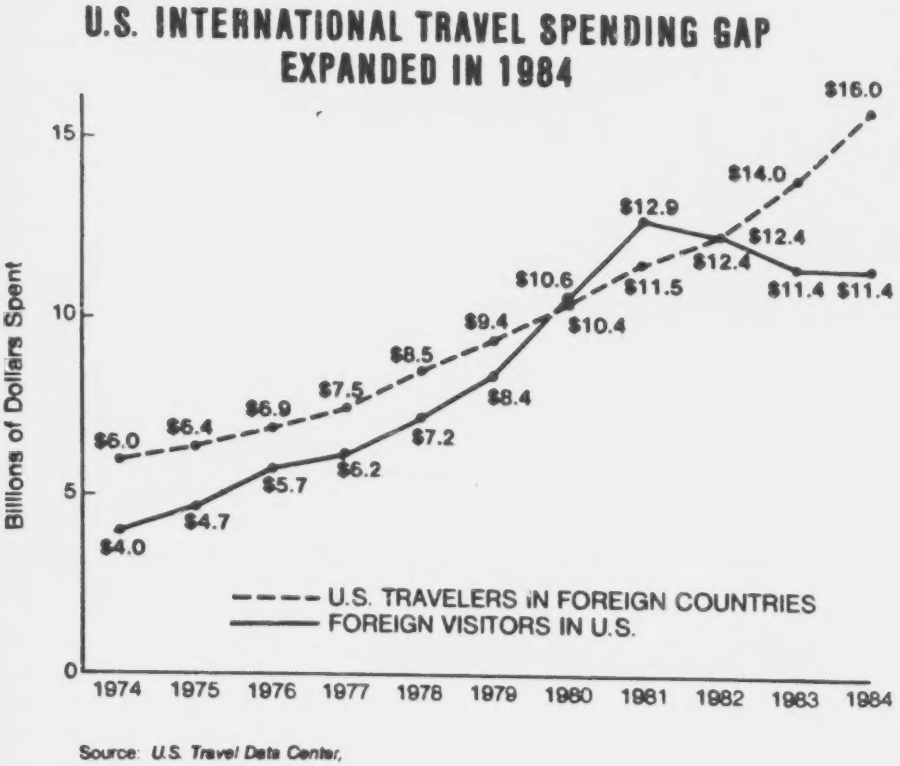
*Regional Tourism Marketing offices located in Toronto, Mexico City, Tokyo, London, Paris, Frankfurt, Sydney, Milan and Amsterdam.

** Includes $45 billion for transportation.

international tourism spending received in 1982, our foreign travel receipts in 1984 (which were down nearly 2%) would have been $1.7 billion higher than the $11.4 billion recorded. This $1.7 billion would have supported nearly 38,000 more jobs in the U.S. travel industry in 1984.[39]

Another area which causes us concern is the growing deficit between what Americans spend on international travel and what we receive from foreign travelers. In 1984, the travel deficit reached $4.6 billion (not including transportation.) (See figure 3)

FIGURE 3



Source: *U.S. Travel Data Center,*

Also increasing is the international transportation deficit, the difference of U.S. passenger payments to foreign carriers less foreign passenger payments to U.S. carriers. This deficit reached $4 billion in 1984. (See figure 4)

FIGURE 4
U.S. INTERNATIONAL PASSENGER FARE DEFICIT WIDENED IN 1984

Source: *U.S. Travel Data Center*

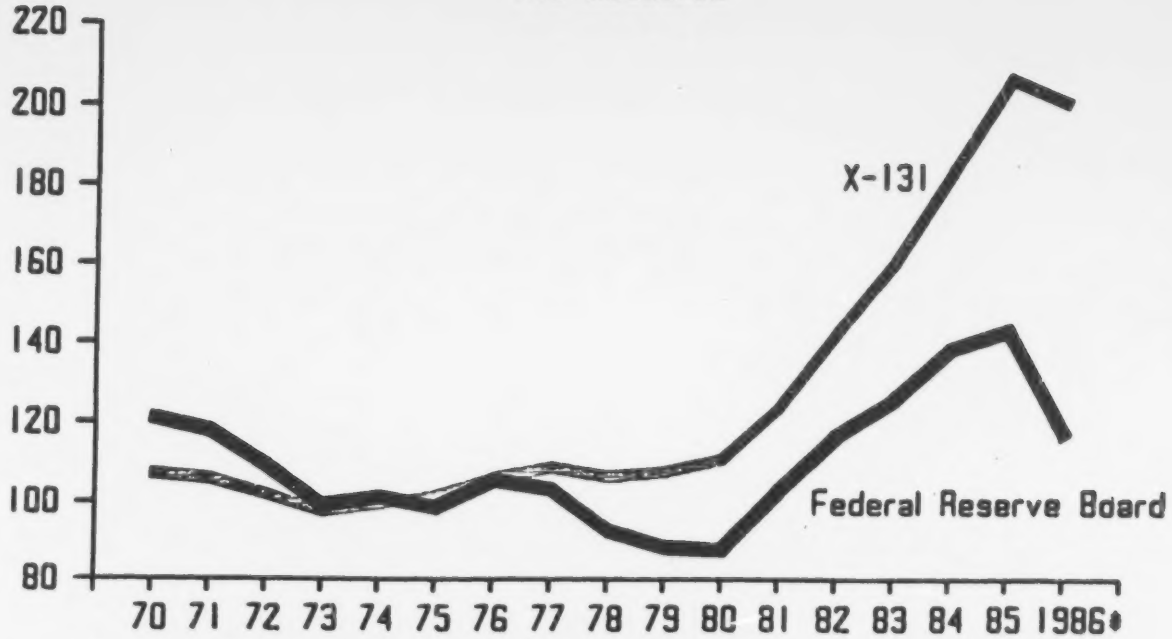
The loss of world tourism market shares and the growing travel trade deficit are caused by the following:

1. The U.S. dollar compared to other currencies. (See figure 5)

FIG 3.5

Value of U.S. Dollar

Two Measures



Source: Fed. Res. Bd. & W. Michael Cox. "A New Alternative Trade-Weighted Dollar Exchange Rate Index." Economic Review, Fed. Res. Bank of Dallas, Sept. 1986.

* Data for 1986 through June 1986 only.

The chart showing the value of the dollar reveals two startling facts. First, there was an historically unprecedented rise on the value of the dollar in the early 1980's. This dollar shock was equivalent to a 50–70 percent tax on U.S. exports or for foreign travelers a reduced purchasing power. Second, while the Federal Reserve Board's relatively narrow measure of the dollar shows a decline beginning in 1985, the broader x–131 measure shows almost no decline. (The x–131 index is a trade weighted index of all U.S. trading partners while the Federal Reserve Board measure includes only Organization for Economic Cooperation and Development (OECD) countries; i.e. Western Europe, Canada and Japan.)

2. A decrease in the USTTA's budget.

FUNDING LEVELS FOR THE USTS AND USTTA—1976–84

[In millions]

Year	Current dollars	Constant 1982 dollars [1]
1976	12.815	20.3
1977	14.47	21.5
1978	14.14	19.6
1979	13.5	17.3
1980	7.993	9.3
1981	7.959	8.5
1982	7.6	7.6
1983	8.1	9.0
1984	12.0	11.1

[1] Deflated by Implicit GNP Deflator.

3. Increased competition from countries who are supporting tourism promotion with increased budgets and a tourism policy.

While federal funding for international promotion has, in real dollars, declined to about one-half of its 1976 level [see previous chart: Funding Levels for the USTS and USTTA], other governments of the world have increased their promotional funding. Our federal expenditure to promote international tourism in 1983 ranked us 38th in the World (See figure 6) and 83rd in terms of per capita expenditures (See figure 7).

FIGURE 6 PAGE 47

Travel and Tourism Government Affairs Council
An Affiliate of the
Travel Industry Association of America

Total Spending by National Government Tourism Organizations

The average funding among all competitive countries of the world was nearly $32 million in 1983...over 4 times as much as USTTA's funding

National Government Funding of USTTA's Counterparts Worldwide (1983)

1. Mexico 182.1
2. Czechoslovakia 134.8
3. Brazil 78.6
4. Greece 69.1
5. Turkey 62.1
6. Spain 61.1[1]
7. Korea 59.0
8. Switzerland 47.4[1]
9. Canada 39.3
10. Italy 36.5
11. Venezuela 30.0
12. Jamaica 29.5
13. Bahamas 28.0
14. Belgium 25.6
15. France 25.2
16. Singapore 24.3
17. India 24.3
18. Peru 20.1
19. Tunisia 19.9
20. Egypt 15.7
21. Columbia 13.8
22. Syria 13.8
23. Germany 13.5
24. Hungary 12.8
25. Burmuda 12.3
26. Israel 12.3
27. Netherlands 12.3
28. Trinidad & Tobago 11.3
29. United Kingdom 11.2[1]
30. Hong Kong 10.6
31. Australia 10.6
32. Finland 9.3
33. Japan 9.2
34. Costa Rica 8.7
35. Malaysia 8.4
36. Philippines 8.4
37. Algeria 7.8
38. **United States 7.6**[2]

[1] Estimated
[2] Excludes $600,000 earmarked for Hawaii disaster relief

Notes: • Figures in millions of U.S. Dollars
• Reporting countries did not include Austria, Denmark, Sweden, Ireland and Portugal - all expected to rank higher than the United States.

Source: World Tourism Organization and Travel and Tourism Government Affairs Council

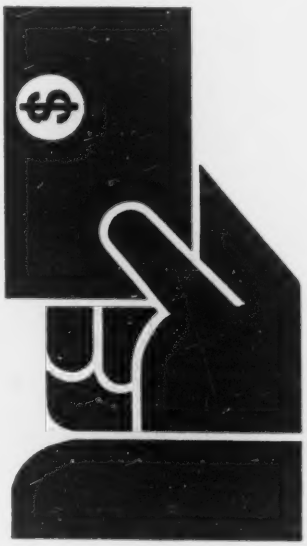


FIGURE 7

Travel and Tourism Government Affairs Council
An Affiliate of the
Travel Industry Association of America

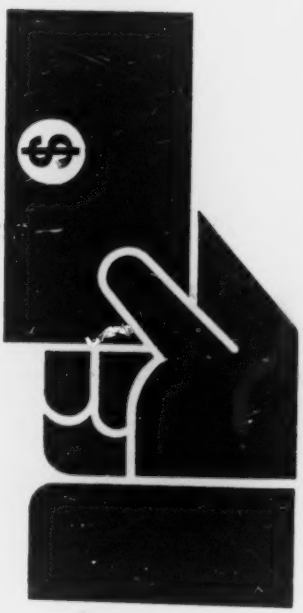
Per Capita Spending by National Government Tourism Organizations

The average among all countries of the world is over 100 times as much as USTTA's funding on a per capita basis.

The average budget for national tourism organizations worldwide is $3.64 per capita compared to the U.S. at less than 3½ cents per capita.

National Government Funding of USTTA's Counterparts Worldwide on a Per Capita Basis (1983)

1. Bahamas 118.64
2. Curacao 24.17
3. Guam 15.12
4. Jamaica 13.32
5. Singapore 10.27
6. Trinidad & Tobago 9.83
7. Czechoslovakia 8.88
8. Malta 8.77
9. Switzerland 7.48
10. Greece 7.32
11. New Caldonia 6.58
12. Cyprus 4.91
13. Macao 4.32
14. Costa Rica 3.98
15. Israel 3.25
16. Tunisia 3.10
17. Mexico 2.62
18. Hong Kong 2.61
19. Belgium 2.61
20. Finland 1.96
21. Tonga 1.96
22. St. Vincent & the Grenadines 1.92
23. Dominica 1.83
24. Iceland 1.77
25. Venezuela 1.67
26. Luxembourg 1.63
27. Spain 1.62
28. Canada 1.62
29. Syria 1.61
30. Zimbabwe 1.55
31. New Zealand 1.54
32. Chile 1.50
33. Korea 1.46
34. Turkey 1.33
35. Hungary 1.19
36. Peru 1.11
37. Norway .99
38. Rwanda .87
39. Netherlands .86
40. Maldives .84
41. Equador .75
42. Australia .71
43. Italy .64
44. Brazil .63
45. Malaysia .59
46. El Salvador .58
47. Jordan .57
48. Columbia .55
49. Yeman .55
50. Ghana .53
51. France .47
52. Guatamala .44
53. Equatorial Guinea .41
54. Algeria .40
55. Kenya .40
56. Austria .38
57. Egypt .36
58. Cameroon .33
59. Paraguay .31
60. Libya .30
61. Argentina .27
62. Yugoslavia .27
63. Lesotho .25
64. Senegal .23
65. Sri Lanka .23
66. Germany .22
67. Honduras .21
68. Tanzania .21
69. United Kingdom .20
70. Zambia .20
71. Sierra Leone .19
72. Philippines .17
73. Bolivia .15
74. Papua New Guinea .15
75. Mauritius .13
76. Thailand .12
77. Malawi .12
78. Japan .08
79. Togo .07
80. Nepel .049
81. Bangladesh .038
82. India .034
83. **United States .033**



Notes: • Figures in U.S. Dollars
• Reporting countries did not include Denmark, Sweden, Ireland, and Portugal - all expected to rank higher than the United States.

Source: World Tourism Organization, Organization for Economic Cooperation and Development, and Travel and Tourism Government Affairs Council

As for public exposure, the USTTA recently increased their overseas offices from six to nine. However, most other developed countries have an average of 30 offices around the world.[40]

Nearly 300 million people travel abroad annually. The international marketplace of travelers is expected to continue to grow, as will competition from other countries. With increased competition comes the increased need for coordination and motivation of government and private sector efforts to promote the U.S. in foreign markets. This is the service that our witnesses insist a USTTA-type operation must provide, especially for small businesses which are often without the resources to penetrate foreign markets.

IV. Findings and Recommendations

The overall concern conveyed to the subcommittee is the need for a national tourism policy to promote travel to the United States because of its vital economic and social importance. Thus, witnesses were resoundly supportive of USTTA's activities. Especially since without the USTTA, small businesses would not be able to penetrate foreign markets.

A. FINDINGS

The following is a summary of the subcommittee's findings:

The travel and tourism industry is made up of many components, 98% of the businesses which make up the industry are small businesses, collectively the industry has a significant impact on our nation's economy—6.4% of the Gross National Product.

Travel and tourism is synonymous with leisure time and not viewed as "serious business."

Because the travel and tourism industry is segmented and often not viewed as "serious business," the travel and tourism industry is not recognized for its significant economic and social contributions.

1. Economic impact

In 1983, U.S. and foreign travelers spent $211 billion in the U.S.:[41]

generating more than $20 billion in local, state and federal taxes;

directly employing 4.6 million jobs.

The tourism industry is labor intensive:

creating a disproportionately high number of jobs for low-skilled, young and minority laborers;

creating a higher number of jobs for each dollar spent when compared to other industries.

The industry was the 3rd largest retail industry in the U.S. following only food stores and automotive dealers.[42]

The industry is among the top three largest employers in 39 states.[43]

The industry was the second largest private employer in the Nation ($46 billion in wages and salaries).[44]

Tourism communities enjoy a higher quality of life with less tax burden.

There are many indirect effects as a result of the "economic multiplier effect" which benefit communities and many small business-

es (e.g. Cypress Gardens contracted out nearly $5 million in improvements to local small businesses, generating additional jobs and tax revenues.)

2. International tourism

International tourism is an "invisible" export—importing foreign travelers bring foreign dollars into our country.

Tourism is the second largest export industry in terms of receipts $13.8, exceeded only by chemicals $19.3 billion (1983).[45]

Tourism is the largest earner of export receipts among tradeable services ($13.8 billion in 1983).[46]

Tourism accounted for one-third of the business services exports (1983).[47]

21.7 million international travelers came to the U.S. in 1983, spending $13.8 billion (including transportation payments to U.S. carriers.) These visitors' expenditures:[48]

directly and indirectly generated approximately 600,000 jobs;
generated $1.6 billion in local, state and federal taxes ($837.3 million of the $1.65 billion was federal tax revenue);
contributed to lowering the trade deficit.

For 1985 there is a $9.6 billion deficit in international travel balances. ($11.7 billion foreign traveler expenditures in the U.S. less $16.5 billion U.S. traveler expenditures in foreign countries and $2.5 billion foreign passengers paid to U.S. carriers less $7.3 billion U.S. passenger paid to foreign carriers).[49]

For 1985, the U.S. received 6.4 percent of the total world international travelers (21 million of 325 million) and 11.1 percent of the total world international travelers' expenditures ($11.7 billion of $105 billion).[50]

Private sector is spending a great deal of talent and dollars in international markets and these efforts are to be commended, however, for small tourism related business it is virtually impossible to compete in the international market place without some assistance.

With 300 million people traveling abroad each year, tourism has become a most-effective tool of communication, useful for shaping world-wide public opinion and spreading goodwill.

3. Federal Government's role

Because of the diversity of the travel and tourism industry there is a critical need for coordinating and enhancing government and private sector tourism promotional activities abroad.

DOC statistics reveal every dollar spent on promotion multiplies into $18.00 of receipts.

Small businesses participate in international marketing and research seminars provided by USTTA.

Small businesses advertise overseas in USTTA's cooperative advertising program and marketing research. Sales were made as a result of this participation and contacts provided by the USTTA.

A government office enhances the credibility of U.S. firms seeking business in foreign countries.

The USTTA works with businesses to reduce trade barriers.

4. Foreign competition

175 national governments of the world finance tourism promotion.

In 1983, U.S. federal expenditures to promote international tourism ranked us 38th in the world, and 83rd in terms of per capita expenditures.

There is the potential for growth in the industry (5% annual increase projected in international receipts, 4% annual increase projected in domestic receipts).

The U.S. international tourism receipts, as a percent of the world travel market, has declined from 13.1% to 11.4%, possibly for the following reasons:

the strength of the U.S. dollar compared to other currencies;
decrease in USTTA's budget;
increased competition from other countries.

B. RECOMMENDATIONS

An integral facet of the subcommittee's hearings and research is the ideas and recommendations collected as a means to enhance domestic and international tourism. Of significance is that the recommendations were provided by business owners, most of whom were small business owners, representing various modes of the travel and tourism industry. Included in our sample were travel agents, candy shop owners, restaurant owners, campground owners, hoteliers and more. In addition to these practical suggestions, we have drawn from the broader policy advice of local and state government representatives, an academic and travel author Eugene Fodor; all of whom are involved in the industry.

The recommendations included herein are those which the subcommittee believe have merit. The subcommittee recommends review of the following:

maintaining and increasing the efforts of the United States Travel and Tourism Administration in the continued development and implementation of a national tourism policy:

expanding the leadership role and encouraging the increase of communication and the development of a stronger partnership between government (local, state and federal) and the private sector for advertising in international markets;

increasing the development and gathering of data on international travelers to more accurately calculate and emphasize the economic contributions of the travel and tourism industry (e.g. changes in the SIC codes);*

placing greater emphasis in the travel and tourism industry as an integral part of our export strategy and reducing our trade deficit;

working to enhance awareness and recognition of international tourism—its economic importance, the jobs and taxes

*The subcommittee heard recommendations for a change in the Standard Industrial Classification (SIC) code to more accurately reflect contributions of the travel and tourism industry. On October 1, 1986, the Office of Management & Budget (OMB) issued a final decision concerning changes to the SIC codes. Effective January 1, 1987, there are 19 additional SIC codes for services. e.g. Travel Agencies, Tour Operators & Rental Car Companies.

generated, the impact on the balance of trade and tourism's effectiveness as a tool for creating understanding and goodwill among countries;

recognizing small businesses contributions to the travel and tourism industry;

formulating foreign policy decisions, when appropriate, in a manner which takes into account the effect these decisions may have on tourism and the industry;

providing for additional services through policy and other provisions:

i.e. language translation services; (multilingual bank tellers, police, tourist guides and hotel staff;

multilingual signs;

decrease the difficulty in acquiring visas (the Immigration Reform and Control Act, PL 99-603, initiates a pilot program for Visa waivers) i.e. have prospective traveler go to USTTA office to register and supply with Visa and travel brochures and information;

providing for additional locations for currency exchange;

providing for health insurance coverage to foreign travelers either through reciprocal agreements or some form of extended coverage which the tourist could obtain for trips to the U.S.;

promoting the United States as a travel destination through the United States Information Agency's Voice of America or World Net;

encouraging tourism through entertainment and cultural exchange;

encouraging the study of languages;

increasing oversight of environmental protections;

providing assistance for transportation systems:

funding;

studies;

establishing promotional policies encouraging U.S. travelers to "See America First" in an effort to keep travel dollars in the U.S.;

heeding the advice of the United States to European countries in 1946—we recommended that they start a combined European effort in the American market by combining marketing efforts through matching funds from states, private industry and the federal government;

collecting and studying information relevant to foreign governments' efforts in tourism promotion for comparison purpose;

studying the feasibility of working with or simulating various export promotional programs provided by the federal government such as the Foreign Agricultural Service or the International Trade Administration to encourage foreign travelers to visit;

establishing a privately funded commission with various modes of the tourism industry represented. The commission would work to bring the private and government sectors together and encourage assistance and cooperation between the sectors to enhance the promotion of travel to the U.S. The

commission would report periodically to Congress on programs and results, e.g. Florida State Citrus Commission.

V. Footnotes

1. For purposes of this report, the term "tourism" is used to reflect all aspects of the travel and tourism industry. The term "international tourism" is used as defined by the World Tourism Organization:

Visitor—any person visiting a country other than that in which he has his usual place of residence, for any reason other than following an occupation remunerated from within the country visited.

Tourist—temporary visitors staying at least twenty-four hours in the country visited and the purpose of whose journey can be classified as business or leisure.

Excursionist—temporary visitors staying less than twenty-four hours in the country visited.

2. International Tourism and Small Business; Hearings before the House Small Business Subcommittee on Exports and Special Problems (hereinafter "Tourism hearings"), Part 3; 99th Congress, 2nd session (1986).

3. Data compiled and analyzed by the U.S. Travel Data Center for research sponsored by the United States Travel and Tourism Administration U.S. Department of Commerce.

4. Travel and Tourism Government Affairs Council, Tourism Fact Sheets: A Resource Kit (Washington, D.C., 1984).

5. U.S. Travel Data Center, The 1984-1985 Economic Review of Travel in America (Washington, D.C., 1985), p. 29.

6. Ibid., p. 30.

7. Data compiled by U.S. Travel Data Center for the United States Travel and Tourism Administration.

8. United States International Trade Commission, U.S. Trade-Related Employment: 1978-84 (Washington, D.C., May 1986).

9. Tourism Hearings. Part 1 at 28.

10. Tourism Hearings. Part 2 at 4.

11. Tourism Hearings. Part 1 at 43.

12. U.S. Travel Data Center, The 1984-85 Economic Review of Travel in America (Washington, D.C., 1985), pp. 10-11.

13. Tourism Hearings. Part 3.

14. Ibid.

15. Tourism Hearings. Part 2 at 178.

16. Ibid., p. 78.

17. Ibid., p. 63.

18. Ibid., p. 178.

19. Tourism Hearings. Part 1 at 38.

20. Tourism Hearings. Part 3.

21. Ibid.

22. Tourism Hearings. Part 1 at 21.

23. Ibid., p. 6.

24. Government Affairs Travel and Tourism Council, "Tourism Export Competitiveness; A Necessary Future" (video).

25. Data compiled by the U.S. Travel Data Center for the United States Travel and Tourism Administration.

26. Travel and Tourism Government Affairs Council, Tourism Facts: A Resource Kit (Washington, D.C., January 1986), p. 6.

27. Ibid.

28. Data compiled by U.S. Travel Data Center for the United States Travel and Tourism Administration.

29. United States International Trade Commission, U.S. Trade-Related Employment: 1978-84 (Washington, D.C., May 1986).

30. Tourism Hearings. Part 1 at 22.

31. Tourism Hearings. Part 3.

32. Tourism Hearings. Part 2 at 64.

33. Tourism Hearings. Part 1 at 48.

34. Ibid., p. 44.

35. Tourism Hearings. Part 2 at 33.

36. Tourism Hearings. Part 3.

37. Tourism Hearings. Part 1 at 7.

38. Ibid., p. 13.

39. Correspondence from Under Secretary for Travel and Tourism Donna Tuttle to Chairman of the Export and Special Small Business Problems Subcommittee Ike Skelton (August 14, 1985).
40. Tourism Hearings. Part 1 at 23.
41. Data compiled by the U.S. Travel Data Center for the United States Travel and Tourism Administration.
42. Ibid.
43. Travel and Tourism Government Affairs Council, Tourism Fact Sheets: A Resource Kit (Washington, DC), 1984).
44. Data compiled by the U.S. Travel Data Center for the United States Travel and Tourism Administration.
45. Travel and Tourism Government Affairs Council, Services Export—A Critical Force in International Trade (Washington, DC), p. 9.
46. Ibid., p. 8.
47. Data compiled by the U.S. Travel Data Center for the United States Travel and Tourism Administration.
48. Ibid.
49. United States Travel and Tourism Administration, Recap of International Travel to and from the United States in 1985 (Washington, D.C., July 1986), p. 7.
50. Travel and Tourism Government Affairs Council.

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